

KENTUCKY ECONOMIC INDICATORS

August 2007 as of October 25, 2007

KY Composite Index of Leading Indicators decreased by 4.0 percent in August.

- The Leading Index decreased for the fifth time this year.
- Year-over-year the index was down by 0.3 percent.
- The component indicators were mostly negative, 1:4.
 - KY Labor Intensity Index decreased 1.8 percent.
 - KY Index of Initial UI Claims decreased by 7.3 percent.
 - + US Retail Sales increased by 3.6 percent.
 - US Manufacturer's New Orders Index decreased 31.3 percent.
 - Louisville Help Wanted Index decreased by 1 points to 22.

Component weights for August are 69.0, 13.3, 11.7, 4.9 and 1.2 respectively.

KY Composite Index of Coincident Indicators increased by 1.2 percent in August.

- The Coincident Index is positive for the third consecutive month.
- Year-over-year growth is positive for the forty-ninth consecutive month at 1.6 percent.
- Component indicators are all positive 3:0.
 - + KY Nonagricultural Employment increased 0.3 percent.
 - + US Industrial Production Index increased 0.6 percent.
 - + US Personal Income Less Transfers increased 5.2 percent.

Component weights for August are 37.5, 31.5 and 18.4 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

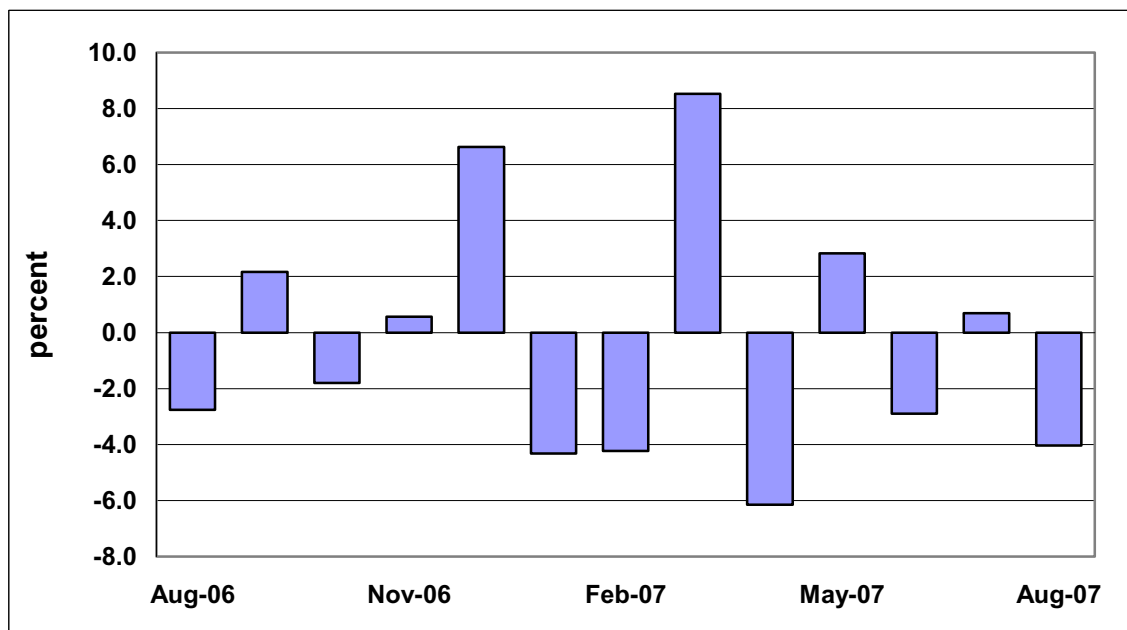
The Kentucky Leading Index declined sharply in August. This is the lowest level the index has been since September 2005. Four of the five components were negative in August. US Manufacturer's New Orders Index had the largest weight-adjusted impact on the Kentucky Leading Index. Manufacturer's New Orders for Consumer Goods and Materials declined by 0.7 percent over July, while Manufacturer's New Orders for Non-defense Capital Goods declined by 12.2 percent. There is no clear trend in the Manufacturer's New Orders series. The mix of monthly declines and increases is unbalanced. The negative months are much larger than any single positive month. While only four of the last twelve months have been negative, the series is down a net 0.1 points since August, 2006. The series made large improvements in March and July of 2007. But those gains were largely wiped away by the large losses in January, May and August of 2007.

The Kentucky Labor Intensity Index was also down in August. The Labor Intensity Index had the second largest weight-adjusted impact on the Kentucky Leading Index for August. Two of the five employment sectors showed losses for August. Transportation Equipment employment declined by 3.9 percent and Petroleum, Coal, Plastics and Rubber Products employment declined by 0.6 percent. The other three components increased by small amounts for August. Transportation equipment is the largest of the five employment sectors in the Kentucky Labor Intensity Index. There were 54,500 seasonally adjusted jobs in that industry for August. Transportation equipment makes up 54 percent of the employment in the index. However, the transportation equipment component has the highest variance of the five sub-components, and therefore it has the lowest weight in the index. Transportation equipment carries 13.0 percent of the weight in the index. Fabricated metals has the lowest variance and therefore has the highest weight at 25.6 percent. Average weekly hours moved very little in August. Four of the five average weekly hours series declined by a trivial amount, while fabricated metals increased by a trivial amount. Overall the average weekly hours changes were insignificant when compared to the changes on the employment side.

The Kentucky Index of Initial Unemployment Insurance Claims declined by 7.3 percent in August. This decline reversed all of the gains made in July. Despite the sharp August decline, the series is still up slightly for the year at 103.5, 1.0 percent higher than last August. The Louisville Help Wanted Index lost one point to fall for the third consecutive month. Louisville Help Wanted Index is now 22.0. This is the lowest level that the index has ever reached.

Kentucky Non-farm employment increased in August by 0.3 percent. Non-farm employment was trending up until March 2007, when it started to trend down. Employment is down by a net 500 seasonally adjusted jobs since January 2007. Non-farm employment is doing better than last August by 7,500 seasonally jobs, but employment is down by precisely 5,000 seasonally adjusted jobs since March when employment peaked at 1,858,800 seasonally adjusted jobs. Declines in Non-farm employment for the last four months were caused by declines in Kentucky Private Services employment and Kentucky Manufacturing employment. Kentucky Private Services employment declined moderately in June and July, while Kentucky Manufacturing employment declined strongly in May and August. Kentucky Manufacturing fell by 12.7 percent, (2,900 seasonally adjusted jobs) in August. That is the third double-digit decline in 2007. Kentucky Manufacturing employment has lost a net 6,500 seasonally adjusted jobs since January 2007.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **KY Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **KY Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2006					2007							
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
KY Leading Index (1992=100)	112.7	112.9	112.7	112.8	113.4	113.0	112.6	113.3	112.7	113.0	112.7	112.8	112.4
% Chg Previous Month SAAR	-2.8	2.2	-1.8	0.6	6.6	-4.3	-4.2	8.5	-6.1	2.8	-2.9	0.7	-4.0
% Chg Same Month Last Year	0.2	0.5	0.0	-0.3	0.2	-0.5	-0.6	0.0	-0.5	0.1	-0.4	-0.2	-0.3
KY Leading Index Diffusion Index	56.7	56.7	56.7	63.3	63.3	66.7	63.3	66.7	63.3	66.7	53.3	56.7	56.7
KY Coincident Index (1992=100)	135.5	135.5	135.8	135.8	136.2	136.1	136.5	136.7	136.9	136.9	137.2	137.5	137.6
% Chg Previous Month SAAR	2.6	0.5	2.2	-0.2	4.1	-1.0	4.0	1.7	1.9	-0.4	2.2	3.0	1.2
% Chg Same Month Last Year	3.0	2.8	2.6	1.9	1.9	1.6	1.8	1.6	1.6	1.6	1.4	1.7	1.6
KY Non-farm Employment (000s)	1,846.3	1,845.8	1,844.0	1,846.1	1,850.9	1,854.3	1,854.1	1,858.8	1,856.7	1,856.8	1,854.6	1,853.4	1,853.8
% Chg Previous Month SAAR	4.9	-0.3	-1.2	1.4	3.2	2.2	-0.1	3.1	-1.3	0.1	-1.4	-0.8	0.3
% Chg Same Month Last Year	0.8	0.8	0.8	0.6	0.9	0.7	0.6	0.5	0.8	0.6	0.5	0.8	0.4
KY Private Services Employment (000s)	1,158.5	1,160.5	1,160.6	1,161.8	1,163.9	1,170.1	1,170.2	1,175.6	1,169.9	1,171.7	1,170.9	1,169.8	1,170.3
% Chg Previous Month SAAR	0.2	2.1	0.0	1.3	2.1	6.7	0.1	5.7	-5.7	1.9	-0.9	-1.0	0.4
% Chg Same Month Last Year	1.1	1.0	1.3	1.1	1.2	1.4	1.3	1.0	1.0	1.0	0.8	1.0	1.0
KY Mfg Employment (000s)	261.1	261.3	259.4	260.6	262.1	260.9	259.7	255.7	260.1	257.0	257.4	257.3	254.4
% Chg Previous Month SAAR	17.6	0.9	-8.4	5.7	7.1	-5.4	-5.4	-17.0	22.7	-13.4	1.9	-0.5	-12.7
% Chg Same Month Last Year	-0.3	-0.3	-1.1	-1.0	0.1	-0.9	-1.3	-2.8	-0.9	-1.8	-1.8	-0.1	-2.6
KY Unemployment Rate (%)	5.7	5.7	5.7	5.6	5.4	5.6	5.7	5.4	5.3	5.5	5.4	5.7	5.6
KY Index of Initial UI Claims (1992=100)	102.4	103.0	103.1	102.6	103.4	103.8	102.2	103.6	102.7	103.9	103.6	104.2	103.5
% Chg Previous Month SAAR	-12.1	6.3	1.1	-4.9	9.8	4.5	-17.4	17.9	-10.0	15.7	-3.5	6.5	-7.3
% Chg Same Month Last Year	-0.8	2.2	0.3	-1.0	-0.3	-1.1	-2.0	-0.4	-1.5	0.9	-0.2	0.6	1.0
KY Labor Intensity Index (1992=100)	105.0	104.9	104.8	104.8	104.9	105.0	104.8	104.7	104.7	104.7	104.5	104.6	104.4
% Chg Previous Month SAAR	0.3	-0.4	-1.5	-0.1	1.5	0.7	-1.8	-2.0	0.9	-1.1	-1.5	0.4	-1.8
% Chg Same Month Last Year	0.3	0.2	0.1	0.0	0.0	-0.1	-0.3	-0.5	-0.3	-0.3	-0.6	-0.4	-0.6
Louisville HWI (1992=100)	32.0	35.0	36.0	38.0	42.0	35.0	31.0	43.0	29.0	30.0	28.0	23.0	22.0
% Chg Previous Month SAAR	-51.7	193.1	40.2	91.3	232.3	-88.8	-76.7	4,973.2	-99.1	50.2	-56.3	-90.6	-41.3
% Chg Same Month Last Year	-30.4	-37.5	-33.3	-26.9	-19.2	-20.5	-26.2	7.5	-27.5	-14.3	-24.3	-32.4	-31.3
GF Total Tax Receipts (\$ mill)	553.1	834.7	630.1	630.7	881.4	682.8	544.3	652.7	671.9	784.7	788.6	608.6	566.5
% Chg Same Month Last Year	-0.4	7.2	-0.4	-0.1	5.4	0.2	7.1	9.1	-11.2	11.3	-2.5	5.2	2.4
GF Sales & Use Receipts (\$ mill)	230.4	224.0	242.5	223.8	238.9	286.2	193.6	212.5	202.4	270.9	243.0	251.0	241.8
% Chg Same Month Last Year	6.0	-2.4	2.9	2.4	4.4	-1.0	1.3	3.9	-12.2	15.1	5.3	0.7	4.9
GF Income Tax Receipts (\$ mill)	227.4	281.8	248.4	242.6	269.2	202.1	227.1	204.0	283.4	337.8	289.0	249.2	240.6
% Chg Same Month Last Year	-9.3	1.4	-4.2	3.7	5.9	-8.5	14.1	19.0	-16.7	58.6	11.4	9.0	5.8

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2006					2007							
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
US Leading Index (1996=100)	137.0	137.6	137.6	137.6	138.4	137.9	137.1	137.9	137.6	137.9	137.6	138.6	137.5
% Chg Previous Month SAAR	-4.3	5.4	0.0	0.0	7.2	-4.3	-6.7	7.2	-2.6	2.6	-2.6	9.1	-9.1
% Chg Same Month Last Year	0.2	1.4	0.7	-0.2	0.1	-0.5	-0.6	-0.4	-0.4	0.2	-0.1	0.8	0.4
US Coincident Index (1996=100)	122.5	122.6	123.0	123.0	123.4	123.3	123.5	123.8	124.0	124.1	124.3	124.7	124.8
% Chg Previous Month SAAR	3.0	1.0	4.0	0.0	4.0	-1.0	2.0	3.0	2.0	1.0	2.0	3.9	1.0
% Chg Same Month Last Year	3.2	2.8	2.8	2.2	2.2	1.8	1.8	1.8	1.9	1.9	1.9	2.0	1.9
US Non-farm Employment (Mil.)	136.4	136.6	136.7	136.9	137.2	137.3	137.4	137.6	137.7	137.9	138.0	138.1	138.2
% Chg Previous Month SAAR	1.7	1.8	1.0	1.7	2.0	1.4	0.8	1.5	1.1	1.7	0.6	0.8	0.8
% Chg Same Month Last Year	1.7	1.8	1.8	1.7	1.7	1.6	1.5	1.4	1.4	1.5	1.4	1.3	1.1
US Service-Providing Employment (Mil.)	113.8	114.0	114.2	114.4	114.6	114.8	115.0	115.1	115.3	115.5	115.5	115.6	115.8
% Chg Previous Month SAAR	1.9	2.2	1.7	2.6	2.4	1.3	1.9	1.5	1.7	2.1	0.8	1.1	1.6
% Chg Same Month Last Year	1.7	1.8	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.9	1.9	1.8	1.7
US Manufacturing Employment (000s)	14,218.0	14,206.0	14,166.0	14,143.0	14,131.0	14,130.0	14,113.0	14,090.0	14,072.0	14,069.0	14,050.0	14,046.0	14,001.0
% Chg Previous Month SAAR	-0.9	-1.0	-3.3	-1.9	-1.0	-0.1	-1.4	-1.9	-1.5	-0.3	-1.6	-0.3	-3.8
% Chg Same Month Last Year	0.1	0.2	-0.2	-0.4	-0.5	-0.6	-0.7	-0.9	-1.1	-1.0	-1.3	-1.3	-1.5
US Unemployment Rate (%)	4.7	4.6	4.4	4.5	4.5	4.6	4.5	4.4	4.5	4.5	4.5	4.6	4.6
US Manufacturer's New Orders Index (1996=100)	129.4	132.1	129.0	129.0	132.3	125.7	126.2	129.7	130.4	128.3	129.5	133.4	129.3
% Chg Previous Month SAAR	-14.6	28.5	-25.1	0.1	34.7	-45.8	5.1	39.5	6.6	-18.3	11.9	43.0	-31.3
% Chg Same Month Last Year	-3.0	0.5	-2.6	-6.0	-3.0	-5.3	-4.7	-4.0	-1.5	-2.9	-2.2	1.7	-0.1
US Initial Claims for UI (000s)	316.3	315.3	314.1	327.4	320.0	310.3	338.2	316.3	328.9	307.6	319.6	306.0	324.9
% Chg Previous Month SAAR	14.7	-3.7	-4.5	64.5	-24.0	-30.9	181.0	-55.2	59.8	-55.2	58.3	-40.7	105.3
% Chg Same Month Last Year	-0.1	-20.2	-8.2	3.8	1.9	6.9	10.9	3.0	5.5	-7.2	3.2	-2.1	2.7
US Industrial Production Index (1992=100)	112.5	112.2	112.0	111.5	112.2	111.7	112.5	112.4	113.1	113.0	113.5	114.2	114.3
% Chg Previous Month SAAR	2.3	-3.7	-1.8	-4.9	7.8	-5.7	9.5	-1.1	6.9	-1.2	6.0	8.1	0.6
% Chg Same Month Last Year	4.6	6.0	4.6	3.0	2.8	2.4	2.9	2.2	1.9	1.9	1.5	1.7	1.6
US Personal Income Less Trans. (Bil. 2000 chnd)	8,124.7	8,189.6	8,310.5	8,344.2	8,363.9	8,362.8	8,406.7	8,439.9	8,449.2	8,448.9	8,481.0	8,513.6	8,549.7
% Chg Previous Month SAAR	0.4	10.0	19.2	5.0	2.9	-0.2	6.5	4.8	1.3	0.0	4.7	4.7	5.2
% Chg Same Month Last Year	7.0	3.6	4.7	4.1	3.5	3.4	3.7	4.0	4.0	4.3	4.1	4.8	5.2
CPI, All Urban (1982-84=100)	203.8	202.7	201.8	201.9	202.8	203.2	203.9	205.1	206.0	207.4	207.8	208.0	207.7
% Chg Previous Month SAAR	3.6	-6.3	-5.2	0.6	5.5	2.1	4.5	7.5	5.1	8.4	2.3	1.4	-1.7
% Chg Same Month Last Year	3.9	2.1	1.3	2.0	2.5	2.1	2.4	2.8	2.6	2.7	2.7	2.4	1.9
US Retail Sales (\$Billions)	364.2	362.1	362.0	363.2	367.3	367.2	369.3	372.9	371.7	377.7	374.7	376.9	378.0
% Chg Previous Month SAAR	1.8	-6.6	-0.4	4.2	14.4	-0.4	6.9	12.2	-3.8	21.3	-9.0	7.2	3.6
% Chg Same Month Last Year	6.3	5.4	4.9	4.5	5.6	2.2	3.6	4.4	2.8	5.1	4.0	3.7	3.8
US Consumer Expectations (1966=100)	68.0	78.2	84.8	83.2	81.2	87.6	81.5	78.7	75.9	77.6	74.7	81.5	73.7
% Chg Previous Month AR	-53.6	435.0	164.4	-20.4	-25.3	148.5	-57.9	-34.3	-35.3	30.4	-36.7	184.5	-70.1
% Chg Same Month Last Year	-11.6	23.5	34.2	19.5	1.2	11.0	9.4	3.6	3.4	13.8	3.8	12.4	8.4
Ave. Prime Interest Rate (% NSA)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25